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The AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

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Farm products sold by producers were exempted from price ceilings under the General Ceiling Price Regulation announced by the Economic Stabilization Agency on January 26.

However, the regulation provides for ceiling prices for most farm commodities--and the products processed from them--after they have been sold by farmers; that is, at wholesale, retail or other marketing levels.

Prices received by farmers for most farm products in mid-January were below the minimum ceiling prices that could be imposed under the law. The minimum ceilings may not be less than the highest of the following: the parity price, or the highest price received by producers in the May 24 to June 24, 1950 period. Adjustments for grade, location and seasonal differentials are provided.

The major farm products priced at or above the minimum ceiling levels were: Beef cattle, veal calves, lambs, hogs, cotton and wool. Firm ceilings for these products, and the commodities processed for them, were established at marketing levels beyond farm markets.

Ceiling prices for farm products selling below legal minimum ceilings at the farm level can be adjusted upward if the farmers' price increases. These increases can be no more than the actual increase in dollars and cents in the farm price. Before they can be raised, the sellers must notify the Economic Stabilization Agency.

Some farm products were exempted from ceilings at all levels of sale. These include live animals, seeds, certain imported oil-bearing materials and oils, pine gum and American-Egyptian cotton. All fresh fruits, vegetables and tree nuts have been exempted temporarily pending the development of suitable regulations. Also exempted were sales by farmers of commodities grown or processed on the farm if the total does not exceed $200 in any one month.

The ceiling regulation came at a time when prices generally were continuing the sharp uptrend that began last July after the Korean outbreak.

Wholesale prices rose further in January; have gained an average of 2 percent a month since June.

Prices paid by farmers including interest, taxes and wage rates set a new record for the 3rd successive month in mid-January when they rose 3 percent above mid-December.

Prices received by farmers advanced 5 percent from mid-December to mid-January. The index is now 21 percent above June but still is 2 percent short of the January 1948 peak.

Major factor in the inflation of the last half year is the Nation's growing defense effort. Currently, our spending for National security programs is running at an annual rate of more than $20 billion. By the end of 1951, the rate is expected to be $45 to $55 billion.

Our present rate of spending is equal to about 7 percent of our National production of goods and services; by the end of the year the percentage will be up to around 18.

Federal budget expenditures for fiscal year 1951-52, as proposed by the President to Congress, are estimated at $71.6 billion with $52.4 billion earmarked for National security. Budget expenditures for 1950-51 are estimated at $47.2 billion, with $21.1 billion going for defense.

These estimates of actual budget expenditures do not tell the whole story. In addition, the Government has authority to obligate Federal funds--in other words, to let contracts with payment to be made later.

As soon as contracts are signed, the contractors begin bidding for labor and materials. For this reason, the impact of National defense programs on the economy is greater, and is felt more quickly, than actual expenditures indicate.

For 1950-51 and 1951-52 combined, appropriations for National security plus authority to obligate Federal funds may total $140 billion, the President indicated in his budget message to Congress. This figure includes appropriations and authorities already enacted and those requested.

LIVESTOCK AND MEAT Hog slaughter has declined from the fall season peak reached early in December; will not increase until about mid-March when 1950 fall pigs will begin coming to market in volume. Prices to farmers advanced from $17.70 in mid-December to $20 in mid-January.

Cattle prices also have gone up with biggest increases in top grades. Number of cattle slaughtered has gone down about usual amount for the season. Slaughter weights have been heavier than a year earlier, mainly because of large number of grain fed cattle slaughtered. A record number of cattle were on feed on January 1. An unusually large proportion were of light weight and will not reach market until late this year.

DAIRY PRODUCTS With practically all of the Government stocks of butter and cheese sold and consumer demand strong, wholesale prices of dairy products have gone up considerably the last two months. Farmers' prices for butterfat and milk also have increased. The trend usually is downward at that time of year.

POULTRY AND EGGS The average farm price for eggs dropped from 57.7 cents per dozen in mid-December to 42.6 cents in mid-January. This was the second largest month-to-month drop on record. However, prices are still well above the January 1950 level of 31.2 cents. Chicken prices went the opposite direction, advancing from 22.3 cents in December to 24.3 cents a month later.

A record turkey crop will be produced this year, according to growers' plans at the beginning of 1951. An increase of 1 percent is expected.

FATS AND OILS The rise in prices of domestic fats and oils slowed down in mid-December, then picked up speed in January. Average wholesale prices of 26 major fats and oils in January were 11 percent above December, 67 percent above January 1950.

Absence of acreage allotments on 1951 wheat and corn crops may result in fewer acres of soybeans and flaxseed than in 1950.

FEEDS About 102 million tons of the four feed grains were on hand January 1, about the same as the stocks of a year earlier. Corn stocks totaled 2,664 million bushels, 142 million less than at the beginning of 1950. Oats, barley, and sorghum grain stocks were larger.

Prices of all feed grains are above supports and in mid-January averaged 29 percent higher than a year earlier.

WHEAT Wheat prices in late January, were generally 15 to 20 cents above the loan level. Large quantities of wheat stored on farms under loan have been redeemed and sold.

FRUIT A slight rise in prices to growers for oranges is expected in February and March. Supplies of other fruits are large and little change in prices is likely.

VEGETABLES Total production of the 18 winter truck crops is expected to be 12 percent below a year earlier but the same percentage above average.

Vegetable growers will be making contracts with commercial canners and freezers in the next few months. Processors are likely to offer higher prices than last year because of strong civilian and military demands for canned vegetables.

COTTON With supplies short in relation to demand, cotton prices continue upward. Average of Middling 15/16 inch in the 10 spot markets on January 23 was 45.14 per pound, the highest since 1915.

WOOL Prices received for wool by U. S. growers have set new records each month since last September. The average of 98 cents for January 15 was 50.8 cents higher than a year earlier.

The step-up in rearmament over the world is expected to increase demand for wool this year. In the U. S., military requirements are increasing. A war reserve equal to 100 million pounds of wool, clean basis has been authorized. After it has been acquired, the Munitions Board will begin buying for stockpiling.

TOBACCO Prices for flue-cured tobacco averaged 55 cents per pound during the season which ended in December compared with 47.2 cents in 1949. Auction prices for burley also are running well above a year earlier. The average for burley sold through late January was about 48.7 cents per pound, 8 percent above last season.

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